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TO RUEHC/SECSTATE WASHDC PRIORITY 5738  
INFO RUEHRG/AMCONSUL RECIFE 4942  
RUEHSO/AMCONSUL SAO PAULO 7174  
RUEHRI/AMCONSUL RIO DE JANEIRO 2260  
RUEHLP/AMEMBASSY LA PAZ 4642  
RUEHQT/AMEMBASSY QUITO 1863  
RUEHBU/AMEMBASSY BUENOS AIRES 4076  
RUEHAC/AMEMBASSY ASUNCION 5487  
RUEHSG/AMEMBASSY SANTIAGO 5567  
RUEHMN/AMEMBASSY MONTEVIDEO 6305

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SIPDIS

SENSITIVE  
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STATE FOR EB/IFD/OIA - MILLER

E.O. 12958: N/A

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SUBJECT: PETROBRAS ACQUISITION OF PASADENA REFINING SYSTEMS -  
CFIUS CASE 06-33

REF: A) EB/IFD/OIA MILLER MEMO OF 5/22/06

- B) STATE 81527
- C) BRASILIA 1017

(U) This cable is Sensitive but Unclassified, please protect accordingly.

¶1. (SBU) The Mission has received repeated assurances, most prominently during Secretary of Commerce Gutierrez's June 7 meeting with President Lula's Chief of Staff Dilma Rousseff -- who also serves as President of Petrobras' Board of Directors -- that Petrobras has no interest in taking over Occidental Petroleum's Ecuador assets (ref A). The Charge received similar assurances from Petrobras International Director Nestor Cervero in a May 26 meeting (ref C). Given these credible assurances, made at the ministerial level, Post believes the Occidental case should not be an obstacle to Petrobras' proposed acquisition of 50% of Pasadena Refining Systems (PRS).

¶2. (SBU) Although Petrobras is majority owned by the GoB, the company is publicly traded on both the New York Stock Exchange (NYSE) and the Sao Paulo Stock Exchange (BOVESPA). Since it's partial privatization of the 1990's, the company has been run much more like a private company than an arm of the Brazilian government. It has a reputation for sound corporate governance and for innovation in deepwater drilling technologies. Moreover, as it has expanded overseas, it has behaved in the interests of its stockholders, even in cases where these did not fully coincide with the policy of the Brazilian government. Post does not believe that Petrobras' acquisition of PRS poses a national security risk.

CHICOLA